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# REPORT ON STUDY OF INCENTIVE PROGRAMS FOR SAN FRANCISCO CITY EMPLOYEES



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prepared by  
members of the Mayor's  
Management Assistance Team

requested by

- Deputy Mayor for Program and Fiscal Administration
- Manager, Mayor's FIRM Project



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## I. EXECUTIVE SUMMARY

### Background

Post-Proposition 13 fiscal restraints have imposed upon City government the challenge of doing more with less. San Francisco has, among other innovative endeavors, introduced the FIRM program, which can result in greater efficiency, cost control and effective allocation of resources. This report suggest that to better achieve these goals, it is necessary to provide incentives to motivate management and employees to increase productivity and reduce costs. Through management and supervisory training and the FIRM project, the City has placed increased emphasis on management improvement and accountability for performance. In order to increase the chances of success, managers must be given the flexibility and incentives to manage. To this end, this report outlines opportunities, relays the experiences elsewhere and makes short and long recommendations.

This report on alternative incentive programs was produced by the Mayor's Management Assistance Team in response to a request by Rudy Nothenberg, Deputy Mayor for Program and Fiscal Administration and Peter Henschel, Manager, Mayor's FIRM Project. The report was requested in order to respond to the Mayor's interest in developing incentives for City employees and departments in light of the City's need to increase program effectiveness and employee productivity.

### Recommendations

Recommendations for incentive programs generally aimed at rank-and-file City employees are presented below. These recommendations involve incentive programs which can be immediately implemented, should show results in the near future, require no systemic changes, and demand only "seed" money and/or existing staff to get started. A brief summary of these programs include:

Employee Suggestions Award Program: The implementing legislation is already on the books and will require an initial budget of \$50,000. Details are presented in Sections VII and VIII below.

Job Enrichment: This involves the promotion or allowance of programs within departments to broaden employees' tasks to allow greater responsibilities and challenges without offering extra pay.

Info Grams: This is an incentive device which will allow employees to communicate ideas and comments directly to top management and avoid the tangle and delay inherent in going through the typical chain-of-command.

Central Training Fund: This recommendation calls for establishing a central fund through which employees can match their own money with the City to attend job and career-related training courses and seminars.

Newsletters and Flyers: This item recommends establishing departmental newsletters or flyers to help publicize employee accomplishments, announcements of suggestions or awards, and as a tool to enhance better communication between departmental management and workers.

### Findings

After consulting more than fifty sources including numerous local governments it was discovered that there is a consistency in the types of work environments that foster effective incentive programs and consistency in the way incentive programs are used. The following summarizes these aspects:

- . Most municipalities that utilize incentive programs do so through a Management-by-Objectives system similar to the FIRM program;
- . Most incentive programs operate in an atmosphere where accountability is well defined and easily recognized.
- . Most incentive programs use some form of performance evaluation;
- . There is frequent communication between all levels of management and to rank and file employees;
- . Most organizations that use incentive programs have ongoing management training;
- . Most incentive programs provide a mechanism for limiting salary increases for marginal performers and provide a mechanism for exceptional performers to move ahead faster in salary and responsibility;
- . Most incentive programs provide management with wide latitude and flexibility in administration;
- . Most agencies have separate incentive programs for management.
- . Employee incentives are usually limited to suggestion award programs, educational incentive pay plans, and similar devices. Good incentive programs undergo periodic analyses and change.

The major findings and conclusions are presented below in detail, with parallel comments on the comparative status in San Francisco and recommendations (where appropriate) for change and/or remedy. Because most of the findings relate to management incentives, reference is made to the fact that the Senior Executive Services (SES) project has been asked to study the matter and make recommendations as part of the SES program.

## II. BACKGROUND

A number of events has recently emerged which provoke keen interest in the subject of effectiveness and efficiency at City Hall: voter approval of "contracting out", Civil Service reforms, creation of a charter revision commission, start up of comprehensive performance evaluation under Civil Service, launching a program for a Senior Executive Service, establishment of a management training program, participation by the private sector in assisting the City remedy long-standing management problems, implementation of the FIRM project, and related efforts.

The backbone of these changes is the Mayor's FIRM project, which provides for goals, objectives and performance measures for City departments. However, the City offers no significant incentives to motivate department personnel meet or exceed these goals and objectives. The purpose of this study is to investigate the "state of the art" in regard to incentives and how they may provide motivation in this changing atmosphere.

Generally speaking, an incentive is offered to stimulate desired performance or behavior from an employee, program or organization. Incentives can be designed to elicit, among other desirable results, a general improvement in employee (and departmental) performance, increased "output", cost savings, acceptance of changes, better attendance, safer work habits, and enhanced educational and job skills. Incentives can be positive (rewards) or negative (sanctions). Because fringe benefits and step increases are offered to permanent employees routinely, we are not including them as incentives in this context.

Any program of incentives, of course, assumes a system of performance evaluation. Until recently, the City had no process for identifying its best workers. The Civil Service Commission has only recently devised an employee performance evaluation program and hopes to have it fully operational City-wide by July 1980. Since the City has now developed a process to identify who is productive and who is not, the question arises as to what incentives (financial and otherwise) are needed to stimulate enhanced performance. More importantly, however, is the question of where the initial focus should be made in identifying, recognizing, and rewarding outstanding employees. One critical focus must be on middle management.

Middle-managers in the City typically have no formal training in management-supervisory skills and have reached their positions largely as a result of a closed Civil Service system. (Only recently has the City allowed for open and competitive exams for promotive positions--brought about with voter approval of a charter change in the November 1978 election). Middle managers are granted no formal recognition, there is little peer-group identification and no sense of being part of any collaborative management function City-wide.

There is persuasive evidence that no system of incentives to stimulate performance among workers will succeed unless there exists strong performance-oriented management fully committed and organized to achieve these goals. The most critical priority on any agenda to improve performance by City government must start with the development of a strong managerial service, especially at the middle-management level.

One reason the "management ethos" is missing in San Francisco is that many managers don't identify with city management, but with the union, or department with which they are associated. It's not untypical for high-placed managers to be active union members. They are not part of a recognizable "management team."

Management personnel in the City are paid on the basis of a bench-mark classification formula unrelated to any measure of actual job performance. There exists no process to define and evaluate management performance by any objective goal-setting method and current management compensation policy offers no discretionary latitude to differentiate between superior and marginal performers.

In addition, efforts have been made to improve the City's managerial service, including in-house management training. More steps need to be taken, however, at defining and recognizing management personnel and establishing a performance-oriented management system. The performance evaluation, FIRM program, and management training are key first steps.



### III. KEY FINDINGS AND CONCLUSIONS

### IV. COMPARATIVE STATUS IN SAN FRANCISCO

### V. RECOMMENDATIONS

From among the more than fifty sources consulted for this study-- public and private sector organizations, private consultants, graduate university scholars, selected City department heads, other key City officials, and a survey of the current literature-- we have discovered a consistency of experience and opinion as to the factors that contribute to the success of incentive programs overall - regardless of level of employee or type of incentive.

These findings are listed on the following pages, together with a description of the comparative status in San Francisco and outline of recommendations for change and/or remedy.

#### KEY FINDINGS AND CONCLUSIONS

Most successful programs in the public sector are linked to a performance or management-by-objectives (MBO) budgetary process similar to the City's emerging FIRM project. Private sector firms tie their programs to "key targets" related to increased sales and/or increased earnings per share formulas.

An effective performance evaluation system is needed with any system of incentives so that good performers can be objectively singled out for recognition and reward.

Incentives must be managed from the top: they have to be sold to and believed by top management before they will go anywhere.

An acceptable level of trust must exist among management personnel and between management and non-management employees.

The most successful incentive programs operate in an atmosphere where accountability is well defined and easily recognized (e.g., department heads serve at the pleasure of the Chief Executive and are directly accountable to him/her).

#### COMPARATIVE STATUS IN SAN FRANCISCO

FIRM project is introducing a management-by-objectives program on a department-by-department phased basis with the goal of full implementation in all departments by 1982.

Comprehensive performance evaluation is being introduced department-by-department by Civil Service. Link between FIRM, Senior Executive Service, and related management improvement rests upon an effective performance evaluation program.

The present Senior Executive Service (SES) project should serve as backbone of the City's enhanced management incentives program.

Levels of trust vary greatly among and between departments. Improvements can be made depending on the quality and quantity of communication between departments and among management peers within and between departments.

Accountability in most departments is poor because of fragmented organization and diffused authority. By Charter, practice and tradition, most departments have operated without accountability being defined within the context of being "answerable" for results.

#### RECOMMENDATIONS

Encourage department management to use FIRM/FAMIS reports as management tool; encourage specific, measurable, and challenging goals and objectives and performance measures in departments implementing FIRM; organize the budget preparation and monitoring process around FIRM's major service areas.

The current effort at establishing a comprehensive performance appraisal system should include a provision to rate department heads by some device directly relating successful performance in meeting yearly departmental goals and objectives negotiated between the governing body (board or commission) and/or the Mayor or CAO (as appropriate). Goals and objectives set through the FIRM project should be the basis for annual top management evaluation.

Also, managing implementation of performance evaluation should be made a separate effort, discreet from management of in-service training.

SES project staff must "sell" the program to intended participants so they buy into the project. All employee incentives directed specifically to management classifications should be part of the SES program.

SES implementation should encourage the association of management personnel to affect greater intra and interdepartmental communication on common management problems. Informal meetings and problem-solving sessions should be developed among SES members with strong impetus from the Mayor and CAO to reinforce practice of results-oriented management in departments.

The Mayor or her designated Deputy Mayor should begin to meet regularly with all department heads and chairpersons to begin to establish a collaborative management team approach to City administration. This "Management Council" approach can contribute to a better sense of accountability between City administration and departments while creating a sense that managers are part of a larger overall effort.

### III. KEY FINDINGS AND CONCLUSIONS

Good incentive programs assume close on-going, direct, and frequent communication between all levels of management to insure success. This means the Mayor or City Manager regularly meets and confers with top management and that management personnel among themselves regularly meet and confer on a peer-to-peer basis to discuss mutual goals and objectives for the organization and for themselves personally.

All public and private sector organizations in our study limited their incentive programs to management personnel, usually from the level of mid-management and above. Few included first-line supervisors, although suggestion systems included line employees. Incentive programs for rank-and-file employees are typically limited to suggestion-award programs, educational incentive pay plans, employee-of-the-month-type recognition schemes and other one-time recognition or cash award devices not linked to differing forms of salary compensation.

All successful incentive programs--both public and private--show that management has been clearly defined and statutorily recognized. Management personnel so designated are not allowed to be separately or concurrently represented by unions representing rank-and-file.

Most incentive programs provide a mechanism for limiting the salary increases of marginal performers--none provide for actually cutting salary.

Successful plans provide a mechanism for exceptional performers to move ahead faster in salary (usually through accelerated step increases) than less satisfactory employees.

### IV. COMPARATIVE STATUS IN SAN FRANCISCO

Meetings between the Mayor and department heads are usually "firefighting" sessions, not routine meetings where the agenda is general discussion of overall problems or objectives.

See above item.

SES project will address specifics for management incentives. Rank and file recommendations are part of this report.

There is official designation of management as such.

SES, if and when formally enacted, will clearly define who constitutes management. Other non-SES supervisory or mid-management groups may be motivated to form a mid-management program patterned after SES.

Current practice is to allow automatic salary/step increases, regardless of actual performance.

SES will recommend that salary administration be modified to allow more flexibility in setting initial salaries and increases, to include provision to freeze salary for poor performers.

No provision under current law.

Under SES proposed policies, department heads may recommend different salary increases so that exceptional performers can be accelerated in pay while marginal or poor performers receive smaller or no increases.

### V. RECOMMENDATIONS

### III. KEY FINDINGS AND CONCLUSIONS

#### IV. COMPARATIVE STATUS IN SAN FRANCISCO

#### V. RECOMMENDATIONS

On-going management training (not one-time or piecemeal) seems to be critically important to generate and sustain enthusiasm for an incentive program.

Most successful incentive plans have the effect of "weeding out the deadwood," as evidenced in Phoenix, Arizona (population 750,000) where since inception of its "Performance Achievement System" in 1977, six major department heads (of 50) have either resigned, accepted demotions, or requested early retirements.

Successful plans have the effect of pushing communication downward (less hierarchical) as management pushes to achieve results from subordinates.

Good incentive plans undergo constant analysis and change--they are not "cast in concrete." Several sources noted a sort of "law of diminishing returns" and recommended that changes need to be made on an annual basis to insure the plan is actually providing measurably successful incentives.

An incentive plan has to be accepted. If the individuals who are to benefit from it or the individuals who are to administer it do not accept a plan (or clearly understand its goals and objectives for the organization) severe problems will emerge. A key method for gaining acceptance is to allow the employees to participate in drawing up the plan.

Promotions should not be the reward devices used to provide incentives. An atmosphere where promotional opportunities frequently exist is important, but competence at a lower-level position does not in itself recommend advancement to a higher position requiring supervisory skills (the best technicians may not be the best supervisors).

Basic supervisory skills training now being offered to first-line supervisors. Mid-management and higher training still being planned.

N/A

(SES, once in operation, may be successful in this regard.)

N/A

More problem-specific task forces could be established within departments to encourage downward communication and investment in problem solving.

N/A

Civil Service or the Mayor's Office should set up a small in-house review committee to monitor incentive programs and recommend changes on a system-wide basis as needed.

"Selling" the programs to employees should involve employee representatives who are themselves "sold" on the merits/benefits of the programs and can help design and execute a plan to "sell" the programs to their peers.

Supervisory training program should be continued and expanded if possible. Civil Service tests for supervisory positions should be weighted toward measuring supervisor aptitude, less emphasis on technical skills.

III. KEY FINDINGS AND CONCLUSIONS

IV. COMPARATIVE STATUS IN SAN FRANCISCO

Most agencies with successful incentive programs provide management with wide latitude and flexibility in managing their resources to achieve stipulated goals and objectives, some including an "open list" certification process which allows for appointment of anyone from an eligibility list (and aids significantly in meeting EEO goals).

All agencies we contacted had separate benefits for management personnel, including many "professional development" benefits. Most benefits are given on a uniform basis, and some agencies offer "cafeteria" style benefit programs.

Little flexibility under present Civil Service rules.

SES.

No program at present. Management compensation treated same as rank-and-file compensation.

SES.

V. RECOMMENDATIONS

## VI. CURRENT STATUS: INCENTIVES IN SAN FRANCISCO

### . Employee Suggestion Award Program

Legislation is already on the books and a program can be implemented with success, assuming a full time staff is established to actively manage the program. Once established, the staff will need to devise a public information/PR plan so that successes in the program can be communicated to the employee population (see Newsletters/Flyers below). An initial start-up budget of \$50,000 is recommended (detailed in Appendixes A and B)

### . Job Enrichment

Working with Civil Service's Personnel staff, and immediate program can be developed without any direct cost in promoting job enrichment programs within departments. The unions might also be asked to assist in the development of a program to encourage supervisors to set up job enrichment plans with individual employees. Working out-of-class on a temporary basis to work on special projects outside of the employees' routine work (based on interests/skills underutilized in present work), grouping similar workers into teams to work on task-orientated projects, and related job enrichment devices can provide immediate incentive to improved productivity and better morale.

Civil Service should work out the details to include a cataloging of possible job enrichment activities which supervisors can implement among their employees, while also communicating the fact that Civil Service not only will allow such experimentation but is encouraging it, necessarily part of any such effort.

### . Info Grams

"Info-Grams" were developed by Admiral Zumwalt when he was Chief of Naval Operations to allow rank-and-file personnel to communicate directly with top Naval management without going through the time-consuming and often non-responsive chain-of-command. Such a program could be devised here without much cost and can provide incentives to rank-and-file to openly communicate thoughts and ideas directly with top management. Special one-page forms would have to be designed and employees would be assured of notification (a pre-printed post card will suffice) that their Info Gram was received and is being considered. The department head would have discretion to communicate back or refer the matter to subordinate personnel for action. Anonymity would be assured and employees need not sign their Info Gram. Details should be worked out by whoever is designated to develop the program. Again, the unions should be asked to participate.

### . Central Training Fund

Employees would be offered direct cash incentives to enhance their job-related work skills to improve current work productivity and effectiveness and/or enhance skills/knowledge for promotive positions and/or for general future career development. Because there's demonstrated value to the City as well as to the employee personally, a central training fund could offer 50-50 matches for courses/training/seminars.

Variation-on-the-theme might include a program to allow funding out-of-the-area training with the City paying the tab for tuition only while the employee bears the costs of travel, food, and accommodations. Requests would have to follow guidelines to be developed to include a requirement that the employee's supervisor must approve all such requests. Each employee would be restricted to a percent of his gross yearly salary (say 1%) each year available for training purposes (e.g., a \$17,000-a-year accountant would be allowed up to \$170 for the reimbursement of up to 50% of the actual cost of tuition for, say, a course in cost accounting or other job-related training).

#### . Newsletters/Flyers

Some departments have in-house newsletters or news flyers, prepared routinely to disseminate news about employee accomplishments, new or reiterated departmental policy, and related newsworthy matters of interest to rank-and-file workers. Departments that wish to make success of the employee suggestion award program will need some device to "spread the word" about awards in order to give due recognition to successful suggestors and to develop interest from other workers in this and other incentive programs. The Mayor's director of information might be asked to assist departments in the development of such house organs, using existing staff where possible.



In addition to the above recommendations based on the study's key findings and conclusions, the following additional recommendations are offered:

- The charter revision commission should look at the merits of diminishing the differences in status between permanent and temporary personnel. The two classifications have created artificial and inequitable divisions between employees. The City has been using the "temporary" classification as a device not to pay the same total compensation to many important management positions and may lose its "best and brightest" to private industry, which typically offers healthy supplemental benefits denied City "temporary" employees.
- The Senior Executive Service project should look into the merits of devising a management compensation program based on the "total compensation" concept. The distinctions between base pay and "fringe benefits" have become very distorted to the point where in many cases, particularly in public safety positions, fringe benefits are hardly "fringe" anymore but amount to a substantial percentage of total compensation. Many California cities have abandoned using the term "fringe benefits" and now offer "total compensation" pay/supplemental benefit packages to management personnel.
- Departmental budgets should include an incentive device where departments are granted a specific percentage of any salary savings they generate in each fiscal year. The amount "plowed back" into the department would be given to the department to spend according to guidelines carefully outlined in the budget instructions. For example, the amount awarded could be spent to fund overtime to help meet peak work demands or for some other personnel-expense related activity.
- Civil Service should develop a profile of present City departmental use of flex-time, recognition systems and career development programs in order to determine where formal encouragement should be directed. A report should be submitted to the Commission, the Mayor, CAO and key departments for action.
- Employee opinion surveys should be attempted on a pilot basis in at least one major city department.



## VII. RECOMMENDATIONS FOR EMPLOYEE INCENTIVES

While incentive programs have been developed in many municipalities, they have not survived in San Francisco. The only city-wide employee incentive program tried in San Francisco was an attempt to institute an employee suggestion system in 1976 but never was fully implemented or funded.

The following is a brief description of suggestion awards programs and a discussion of the employee suggestion system as defined by ordinance in San Francisco.

### SUGGESTION AWARDS PROGRAMS

The purpose of employee suggestion programs is to improve employee morale, job performance and productivity. Suggestion awards programs traditionally provide employees an opportunity to earn extra money and gain recognition by submitting suggestions to improve an organization's operation. If the suggestion results in cost savings, increased revenues or greater levels of service at reduced cost the employee receives typically 15%, to a maximum of \$1,500, of the anticipated yearly savings. If the suggestion results in an improvement in quality of services yet realizes no monetary savings the employee receives another type of award such as a certificate of commendation provided by the Mayor, CAO or appropriate chief administrative officer.

Effective suggestion award programs produce other benefits for the employee and the organization as a whole. They provide a medium of self-expression, an opportunity for personal recognition and a sense of accomplishment for a recognized organization. Through increased participation and input into the work environment, the suggestion process encourages increased communication with management and promotes enhanced morale.

Orange County is an example of a jurisdiction with an effective public suggestion awards program. The program operates under the auspices of a Suggestion Award Committee which oversees the activities of a Suggestion Awards Office.

The Suggestion Awards Office is staffed by a coordinator and a clerk-typist. The coordinator functions as an advocate for the program, as a liaison between staff and management and as an evaluator of submitted suggestions. The Suggestion Awards coordinator solicits suggestions using devices such as articles in department newsletters and pamphlets. Suggestions are sent to the Suggestion Awards Office and the Office routes suggestions to the appropriate evaluator who is usually someone in the department where the suggestion originated.

The suggestion is reviewed, evaluated and, if it is regarded as usable implemented. The department notifies the coordinator regarding the disposition of the suggestion, of anticipated savings, if any, and the amount of the award. The coordinator keeps the suggestor informed at each stage of the suggestion process and refers award requests to the Board of Supervisors. Finally, the Board of Supervisors presents the cash award. They also present a Certificate of Commendation to suggestors whose ideas are used but who do not qualify for a cash award. Since the Board is the executive and legislative authority, their role is critical symbolically.

Nation-wide, the cost savings produced by suggestion awards programs are impressive. The National Association of Suggestion Systems reports that through reduced labor costs, material and energy savings public agencies participating in suggestion programs save on the average of \$3.60 for every \$1.00 spent on the cost of the program (\$1/\$3.60). Effective programs can produce savings of \$5 for every \$1 invested. Orange County realized a net savings of \$356,343 on a total expenditure of \$89,335 in Fiscal '77-'78. The California State Merit Award System netted \$1,833,914 and spent \$258,000 in Fiscal '77.

Most employee suggestion programs succeed when adequately staffed and with on-going commitment from management. It has been demonstrated that those agencies with efficacious on-going programs assign approximately 66¢ per employee per year. Conversely, those programs that are ineffectual usually have a smaller budget and invest minimal staff time to management and promotion.

Our analysis suggests that there is a cause and effect relationship between monies allocated to the program, the amount of staff time assigned to administration and the net savings per year. Clearly the impression is that the organization gets out of the program what it puts into it.

Another aspect not necessarily reflected in our analysis but nonetheless important is the efficacy of the coordinator. Often net savings reflect the success of the coordinator in encouraging departments to participate in the program.

As was previously stated, there is enabling legislation on the books in San Francisco that calls for the establishment of the Employee Suggestion System Committee (Ord. 488-76. Please see Appendix "D" for a copy of the ordinance). The program was not started because the Mayor did not appoint the committee as was outlined in the legislation. Had the program started it would have been necessary to make adjustments in the way it was organized or it would not have been effective. The shortcoming of 488-76 is that it assigns those duties normally performed by suggestions awards offices to the Employee Suggestion System Committee alone. Since the Committee was to meet monthly and serve without compensation, the legislation does not explicitly address the need of performing the day-to-day administrative and advocacy functions that sustain a program such as this. The rest of the ordinance encompasses the other essential elements of suggestion award programs; eligibility criteria, rules, regulations and, as such, is workable and, in fact, quite comprehensive.

We believe that all that is necessary to create a sound, practical program utilizing the existing legislation is to provide for an office and staff to work under the aegis of the Employee Suggestions System Committee.

VIII. RECOMMENDATION ON  
SUGGESTION AWARDS PROGRAM

Short Term Recommendation: Alternative I

We recommend that a pilot program be started as soon as possible to demonstrate the benefits of a suggestion awards program for San Francisco. We also recommend that the Mayor appoint the Employee Suggestion Systems Committee to oversee and direct the pilot program using the guidelines of Ordinance 488-76.

Action Steps:

- (1) We recommend that the Mayor call a meeting of all department heads to encourage any department, (up to 4 departments) interested in and willing to make a commitment to developing a suggestion award program based on ordinance 488-76, to start a two-year pilot program. The Mayor's Office should indicate that it is willing to approve an appropriation of between \$500-\$1,000 as award money to each participating department(s). To date, both the Airport and the Port have expressed strong interest to be pilot departments.
- (2) We recommend that the Mayor appoint the Employee Suggestion System Committee as provided for under Ordinance 488-76. The Committee would oversee the pilot program(s) to insure that the program functions properly. The Committee would submit (semi-annual) reports to the Mayor on the following aspects of the program:
  - a) Number of suggestions received.
  - b) Number of suggestions approved for evaluation.
  - c) Amount of cash awards.
  - d) Amount of labor savings.
  - e) Amount of material savings.
  - f) Amount of increased revenue.
  - g) Cost of implementation (amortized).
  - h) Total net annual savings.
  - i) Kilowatt hours saved. (If applicable.)
  - j) BTU/year saved. (If applicable.)
  - k) Cubic feet of gas. (If applicable.)

l) Water. (If applicable.)

m) Employee hours. (If applicable.)

(See Long Term Suggestions)

NOTE: This recommendation supports the Mayor's recent commitment to allow departments to share in the savings they achieve in energy conservation.

Short Term Recommendations: Alternative II

It should be clearly understood that money allocated to a suggestion Award program is, in effect, seed money. It has been demonstrated (based upon the experience of other cities and counties) that during the first year the program pays for itself, and subsequently, the return on the "investment" can be substantial.

Action Steps:

Therefore, we recommend appointing the Employee Suggestion System Committee and establishing an office with a coordinator and a clerk typist to work under their auspices. We recommend a budget of \$45,804 to be distributed as follows:

<u>Staff Members</u>		<u>Fringe Benefits</u>
1 Coordinator	\$18,000	\$4,840
1 Clerk Typist	<u>9,996</u>	<u>2,398</u>
	\$27,996	\$7,238
<u>Contractual Services</u>		
Supplies		\$4,550
Telephone		275
Office Machines & Equipment		725
Miscellaneous		<u>20</u>
		\$5,570
Awards		\$5,000

Long Term Recommendations: Alternative I

- 1) We recommend that after two years, and, given that the effectiveness of a Suggestion Awards program is demonstrated through a pilot program, that,
  - a) The system be strongly pushed city-wide.
  - b) Civil Service establish a unit of work under the aegis of the Employee Suggestion Systems Committee.
  - c) An adequate budget be provided for a city-wide expansion of the program.

# IX. MAJOR TYPES OF INCENTIVES FOR GOVERNMENT EMPLOYEES\*

<u>Types of Incentives</u>	<u>Nature of Motivation</u>	<u>Type of Reward</u>
Attendance Incentives	Positive	Primarily Monetary
Competition and Contests		
Output-Oriented Merit Increases		
Performance Bonuses		
Piecework		
Safety Incentives		
Shared Savings		
Suggestion Awards	Positive	Nonmonetary
Miscellaneous Monetary Incentives		
Job Enlargement		
Performance Targets		
Recognition and Awards		
Task Systems		
Variations in Working Hours		
Career Development	Quasi (Indirect)	Monetary and Nonmonetary
Educational Incentives		
Productivity Bargaining		
Work Standards		
Rules	Negative	None
Punishment		
Threats		

\*National Commission on Productivity and Work Quality, Employee Incentives to Improve State and Local Government Productivity, (GPO: Washington, D.C.), 1975, p.11.

## APPENDIX A

### REPORT METHODOLOGY

A narrative description of the needs and problems associated with employee rewards and incentives was prepared, followed by the development of an "interview guide" to be used in surveying the many sources to be consulted for the study. John Walsh and his staff from Civil Service, the League of California Cities, and Dr. Randy Hamilton of Golden Gate University were initially consulted to help develop a list of organizations and individuals to be surveyed. Initial contacts with a few recommended organizations and individuals led to suggestions on other useful contacts, and so on. Organizations which reported successful incentive plans were asked to mail copies of their programs to us for closer review and analysis.

Careful notes were taken from all interviews, and together with additional information culled from current literature on the subject, a list of key findings and conclusions was prepared for the report.

Taking this list and incorporating considerations drawn from the description of needs and problems, a set of recommendations was written.

## APPENDIX B

### LIST OF SOURCES CONSULTED

League of California Cities

International City Management Association

Institute for Local Self-Government

California State University, Hayward (Graduate School of Public Administration)

Korn Ferry International (Los Angeles and San Francisco Offices)

Golden Gate University, San Francisco:

Randy Hamilton, Dean, Graduate School of Public Administration

Harry Wolf, Professor, Graduate School of Public Administration

Federal Office of Personnel Management (formally U.S. Civil Service Commission)

Institute of Government Studies, University of California, Berkeley

City of Sunnyvale, California

City of San Jose, California

City of Long Beach, California

City of Palm Springs, California

City of Monterey, California

City of Palo Alto, California

City of Inglewood, California

City of Dayton, Ohio

City of Phoenix, Arizona

City of Lakewood, Colorado

Municipality of Metropolitan Seattle

Civil Service Commission, City and County of San Francisco:

John Walsh, General Manager

Albert Ambrose, Division Manager, Personnel

Tom Poulas, Assistant to Mr. Walsh



Pacific Gas and Electric Company, San Francisco

Mary Burns, Program Manager, Office of the Mayor, San Francisco

Ed Gazzano, Personnel Officer, Department of Public Health, San Francisco

Rudy Nothenberg, Executive Deputy, Program and Fiscal Administration,  
Office of the Mayor, San Francisco

Peter Henschel, Manager, Mayor's FIRM project, San Francisco

Jeffrey Lee, Public Works Director, San Francisco

Mervyn Silverman, M.D., Director of Public Health, San Francisco

Curtis Green, General Manager, San Francisco Municipal Railway

Clerk of the Board of Supervisors, San Francisco

James Hudak, Financial Manager, Chief Administrative Officer's Office,  
San Francisco

Jack Spring, General Manager, Recreation and Park Department, San  
Francisco

George Barbour, Private Consultant

Stan Scott, Western Governmental Research Association, University of  
California, Berkeley

Walter Hoadley, Executive Vice President and Chief Economist, Bank  
of America

Lee Munson, Vice President/Treasurer, Crown Zellerbach Corporation

James Cameron, Vice President/Personnel, Levi Strauss Company

John Steinhart, Stanford University School of Business

Tom Baker, Senior Budget Analyst, Office of the Mayor

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AMENDMENT OF THE WHOLE  
In Committee 11/18/76  
ORDINANCE NO. 488-76

## AMENDING SAN FRANCISCO ADMINISTRATIVE CODE BY AMENDING ARTICLE VIII,

CHAPTER 16, SECTIONS 16.108 THROUGH 16.121 THEREOF, PERTAINING TO

EMPLOYEE SUGGESTION SYSTEM COMMITTEE.

Be it ordained by the People of the City and County of San Francisco:

Section 1. The San Francisco Administrative Code is hereby amended

by amending Article VIII, Chapter 16, thereof, to read as follows:

## ARTICLE VIII. EMPLOYEE SUGGESTION SYSTEM COMMITTEE

## Sec. 16.108. Definitions.

For the purposes of this article, the following words and phrases shall have the meanings respectively ascribed to them by this section:

Adoption. A suggestion is adopted when the new or revised proposal reduces its purposes are put into effect.

Award. A suggestion award is a payment of money from the savings made possible by the adoption of a suggestion.

City and County employee. A City and County employee is a person occupying a position in the City and County service for more than 120 days, and shall not include officers as defined in Section 1.103 of the Charter.

Commendation. A commendation is a letter, certificate or other form of nonmonetary recognition.

Suggestion. A suggestion is a constructive proposal for a new procedure or change in existing procedures which makes possible reduction, elimination or avoidance of City and County expenditures or results in an improvement of the operation of the City and County Government.

Sec. 16.109. Created; Number of Members; Compensation of Members. A City and County Employee Suggestion System Committee, hereinafter referred to as Committee, of seven members is hereby established. The members shall serve without compensation.

SUPERVISOR KOPP

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Sec. 16.110. Composition; Appointment of Members.

The president of the Board of Supervisors shall be an ex officio chairman and a voting member of the Committee and the other six members shall be appointed as follows: four by the Mayor; two from the departments under his supervision and two from the general public, one of whom shall be a certified public accountant and the other a registered civil engineer engaged in efficiency work as defined in the Business and Professions Code of the State of California; and two by the Chief Administrative Officer from departments under his supervision.

Sec. 16.111. Terms of Office.

Appointive members of the Committee shall serve for a term of two years and shall hold office until their successors are appointed and qualified; provided, however, that initially one of the appointees of the Mayor and Chief Administrative Officer made from departments under their supervision shall serve for one year only.

Sec. 16.112. Meetings.

The Committee shall meet monthly. Additional meetings may be called by the chairman as the needs of the City and County service require. Meetings shall be public and interested persons shall be given reasonable opportunity to be heard.

Sec. 16.113. Quorum; When Majority Vote Required.

A majority of the members of the Committee constitutes a quorum. A majority vote of all the members of the Committee is required to make a recommendation for an award pursuant to the provisions of Section 16.119 of this Code.

Sec. 16.114. Minutes.

The Committee shall keep minutes, which record its official actions.

Sec. 16.115. Recommendation of Awards for Suggestions Which Are Adopted.

Sec. 16.116. Award of Incentives

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Sec. 16.117. Award of Incentives

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Sec. 16.119. Award of Incentives

Sec. 16.120. Award of Incentives

Sec. 16.121. Award of Incentives

Sec. 16.122. Award of Incentives

Sec. 16.123. Award of Incentives

1 The Committee may make awards to City and County employees who  
2 propose suggestions which are later adopted and which will result in  
3 elimination or reduction of City and County expenditures or improving  
4 operations; provided, such suggestions are placed in effect.

5 Sec. 16.116. Evaluation of Suggestions.

6 The Committee shall evaluate the merits of suggestions submitted  
7 in accordance with this Article, and shall determine whether or not  
8 eligible suggestions justify an award.

9 Sec. 16.117. Encouragement of Submission of Suggestions; Depart-

10 mental Employee Suggestion Systems.

11 It shall be the responsibility of the head of each City and County  
12 department or agency to stimulate and encourage department or agency  
13 employees to submit suggestions to the Committee, and to designate an  
14 employee responsible for suggestion system activities of the department  
15 or agency. This employee's name and title shall be reported to the

16 Committee.

17 Sec. 16.118. Eligibility for Participation in Award Program.

18 Commentation.

19 (a) Participation in the Employee Suggestion System Program is  
20 limited to City and County employees who submit suggestions in accor-  
21 dance with this Article.

22 (b) To be eligible for a money award, a suggestion must have been  
23 adopted, and must make possible an elimination or reduction of City  
24 and County expenditures or result in an improvement in the operation  
25 of City and County government.

26 (c) To be eligible for a money award, a suggestion must propose  
27 a change which is outside the scope of the employee's normal job res-  
28 ponsibilities. Employees are not eligible for money awards for sugges-  
29 tions pertaining to subjects assigned for research or development, or  
30 pertaining to problems assigned to the employee for solution, or which

1 the employee would normally be expected to offer in line of duty.  
2 (d) To be eligible for a money award, an employee must propose  
3 a change which is not currently under active consideration by the City  
4 and County department or agency affected.

5 (e) If duplicate suggestions are submitted, only the first sug-  
6 gestion received is eligible for a money award.

7 (f) As a condition of his/her participation in the employee  
8 suggestion system, each suggester shall execute the following agree-  
9 ment:

10 "The use by the City and County of San Francisco of my suggestion  
11 shall not form the basis of a claim of any nature upon the City and  
12 County of San Francisco by me, my heirs or assigns."

13 Sec. 16.119. Procedure for Making, Receiving, and Judging Sugges-  
14 tions: Review of Departmental Findings. Notification of Action Taken  
15 on Suggestion.

16 (a) Suggestions must be submitted in writing to the Committee on  
17 the forms provided for this purpose.

18 (b) Suggestions must be signed, but the suggester's name may,  
19 at his/her written request, remain undisclosed until evaluation of a  
20 suggestion has been completed.

21 (c) The Committee shall receive, record and acknowledge receipt  
22 of suggestions, and shall notify the suggester of any undue delays in  
23 the consideration of his/her suggestion.

24 (d) Suggestions shall be referred at once to the department or  
25 agency affected for consideration. Within thirty (30) days the depart-  
26 ment or agency shall report its findings and recommendations to the  
27 Committee. The department or agency report shall indicate whether or  
28 not a suggestion has been adopted; any actual or estimated reduction of  
29 expenditures made possible by a suggestion; or, the reasons in detail  
30 for rejection.

(a) The Committee shall review the department or agency findings and recommendations and may obtain additional information or take such other action as is necessary for prompt, thorough and impartial consideration of each suggestion.

(E) The Committee shall evaluate each suggestion, taking into consideration department or agency action, recommendations and the objectives of the Employee Suggestion System Program. For each eligible suggestion the Committee shall determine the merits of the suggestion, whether or not the suggestion justifies an award, and the type and amount of any award.

(G) Upon approval of a suggestion, the Committee shall authorize an appropriate commendation plus a \$25 award to an employee whose adopted suggestion does not merit a 15 percent money award on demonstrated net savings.

(H) If a rejected suggestion is subsequently adopted, the suggester may request the Committee in writing to reconsider it. Other rejected suggestions may be resubmitted in the regular manner.

(I) To be considered for a money award a suggestion which is first put into effect must be submitted for suggestion award consideration within six (6) months of the date of adoption.

(J) The Committee shall notify the suggester of the action taken as soon as a suggestion has received final consideration.

Sec. 16.120. Amount of Monetary Awards.

(a) The total amount of each money award made under the provisions of this Article shall be 15 percent of the demonstrated net annual savings of the first year following the adoption of the suggestion.

(b) An immediate cash award may be made, not to exceed \$50, based upon the estimated net annual savings during the first year following the adoption of the suggestion.

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(c) The Committee may make a supplemental award at a later date for the same suggestion on the basis of demonstrated reduction in expenditures, so as to increase the total amount of the award to an amount not to exceed 15 percent of the actual net savings during the first year following adoption of the suggestion.

(d) A cash award may not be less than \$25, and the aggregate of all awards made to any one employee for the same suggestion shall not exceed \$3,000; provided, however, that for any suggestion which results in a cost saving in excess of \$50,000, an award in excess of \$3,000 may be made; and, provided further, that any award in excess of \$1,000 shall be subject to approval by Resolution of the Board of Supervisors.

(e) The Committee shall act to assure realization of savings made possible by the adoption of a suggestion. Awards shall not be considered compensation for services rendered as provided in Section 8.400 of the Charter.


Sec. 16.121. Employee Suggestion Award Fund.

(a) There shall be appropriated annually an amount sufficient to make funds available for each year for the purpose of this Article.

(b) All such funds shall be appropriated to the Controller and maintained in the Employee Suggestion Award Fund, which is hereby created.

APPROVED AS TO FORM:

THOMAS M. O'CONNOR, City Attorney

By  Deputy City Attorney

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## APPENDIX D

<u>AGENCY</u>	<u>NUMBER OF EMPLOYEES</u>	<u>STAFF</u>	<u>BUDGET</u>	<u>ESTIMATED SAVINGS PER YEAR</u>
1. San Diego Co.	13,605 employees	1 coordinator 3 clerks	\$87,478	\$884,554
2. Orange Co.	12,000 employees	1 coordinator 1 clerk	\$36,000	\$100,000
3. Mare Island Naval Base	10,000 employees	1 coordinator 2 clerks	\$47,000 awards only	\$694,000
4. P.G.E.	23,000 employees	2 coordinators 1 clerk	\$173,599	\$512,618
5. State Merit Award Committee	150,000 employees	Administrator Analyst Steno 2 clerks Paid out in cash awards \$172,831	\$86,000 adm. \$172,831 awards (no budget for awards. Money is from out of cash savings)	\$1,833,914
6. City of San Diego	6,500 employees	1 part-time coordinator	\$27,000	\$66,480
7. L.A. Water & Power	11,000 employees	1 director 1 secretary 1 clerk typist	\$52,000 no limit on awards	\$80,000 to \$100,000 year
8. San Bernardino	7,000 employees	1 coordinator 1 clerk	\$25,500	\$65,000
9. Wells Fargo	13,000 employees	1 administrator 1 secretary (Part-time 4 hours)	\$19,000 staff Award money from depart- ments	\$30,000
10. U.S. Post Office S.F. Area Only	3,856 employees	1 supervisor of Incentive Awards 1 clerk	\$77,479 approximately no limit on awards	\$96,848
11. City of San Jose	4,650 employees	1 adminis- trative asst. part-time 1 steno clerk/PT	\$10,000 staff \$ 6,000 awards	\$35,000 \$50,000









